



MEETING OF THE COUNCIL - HEADS OF DELEGATIONS

26 March 2020, Online with Teams

DOCUMENT 02	2019-2020 REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE
Submitted by	FAC
Action requested	Note report and endorse recommendations
Background	<p>NAMMCO 27 tasked the Finance and Administration Committee to address the following issues:</p> <ul style="list-style-type: none"> - Find an acceptable solution to the pension scheme issue in the financial year 2019 (high priority) - Follow closely the level of expenses in 2019 - Explore prospects for funding the “Super Tag” project - Develop clear deadlines for the submission of documents and reports in advance of meetings of NAMMCO bodies and propose their incorporation into the relevant Rules of Procedure.

1. INTRODUCTION

The Finance and Administration Committee (FAC), chaired by Amalie Jessen, Greenland, has held two sessions since NAMMCO 27 - a face-to-face meeting in Nuuk on 19-20 November 2019 and a video meeting on 20 March 2020 due to COVID-19 travel restrictions. Participants at the meeting were Sofie Abelsen (only 20 March 22), Amalie Jessen and Nette Levermann (Greenland), Páll Nolsøe and Kate Sanderson (Faroe Islands), Ásta Einarsdóttir (Iceland), Steinar Lindberg (only 19-20 November) and Ole David Stenseth (Norway), with Geneviève Desportes, Fern Wickson (only 20 March) and Charlotte Winsnes from the Secretariat.

This consolidated report presents the issues dealt with by the FAC in the intersessional period and their outcomes, including the recommendations the FAC wishes to bring forward to Council.

2. UPDATE ON PENSION SCHEMES

The Secretariat had two pensions schemes for three staff members: This included a Defined Benefit Scheme (DBS, only for the Deputy Secretary, DS) and a Defined Contribution Scheme (DCS, for all other employees). The cost of the DBS had become excessive, both on the level of pension premium in relation to the gross salary, in the associated administrative fee, and in the relative benefits awarded to staff. Council 27 tasked the FAC to solve on an urgent basis the imbalances associated with having two different pension schemes, so it would take effect in the financial year 2019.

The FAC agreed to seek external expert advice to ensure a fair and efficient process. The Norwegian Insurance Partner AS (NIP) was commissioned by NAMMCO to review the pension schemes and provide advice on the impact of terminating the DBS and transitioning to the DCS. This included impacts for both for the employee (lost benefits) and for NAMMCO (in terms of termination and eventual compensation costs).

Both Storebrand (NAMMCO insurance company) and NIP predicted that the economic effect of terminating the single benefit scheme (DBS) and transferring it to the contribution scheme (DCS) would entail savings for NAMMCO, even with full compensation of the employee. These savings would increase yearly, as the cost of the DBS, and the related administrative costs, increase more rapidly than the cost of the DCS.

Taking into account the assessment of NIP and its recommendations, the FAC decided to recommend

- To transfer the Deputy Secretary (DS) to the DCS scheme,
- To update the DS' pension qualifying income to the 2019 level before terminating the DBS, in order for the paid-up policy value to be correct – in accordance with the Norwegian Act on company pension schemes
- To not compensate the DS for lost benefits, considering the level of benefits she had received under the DBS.

This was done in December 2019, with effect from 1 January 2020. The cost of the transition, including the cost of backdating the increase in pension qualifying income on the employment years resulted in a cost of NOK 792.000, to be paid in 2020.

For information the cost of the DBS for one staff member was over 336 000 in 2019 (not including the required backdating cost), while the cost of the DCS for three staff members is in 2020 less than NOK 333 000, despite salaries and associated pension benefits having increased.

3. ADMINISTRATIVE ISSUES

3.1 DEADLINE FOR SUBMISSION OF DOCUMENTS TO NAMMCO MEETINGS

The FAC **agreed** on the rationale of defining deadlines for submitting documents to meetings and considered it desirable to have the same deadlines for all committees.

The FAC therefore **agreed** to recommend to Council the following wording:

As a general rule, all meeting documents to be discussed at any meeting of NAMMCO (Council and subsidiary bodies including Working Groups and Expert Groups) shall be made available through the Secretariat at the latest 15 days before the meeting. Information documents shall preferably become available by the end of the first day of the meeting.

The FAC tasked the Secretariat to prepare and circulate a draft of the changes to the RoPs to accommodate this recommendation. Following the Committees' RoPs, the Secretariat circulated the amendments, which are available as document NAMMCO/28/18.

The FAC **recommends** that Council adopt the proposed amendments to the RoPs regarding the deadline for submission of documents to NAMMCO meetings.

3.2 RELATIVE TIMING OF NAMMCO COUNCIL AND SCIENTIFIC COMMITTEE MEETINGS

The FAC examined the present cycle of NAMMCO meetings based on the observations and recommendation of the Scientific Committee.

The FAC **recommends** that Council adopt a cycle where both the annual meetings of the Scientific Committee and the Commission be held in the first half of the year, with the SC meeting a minimum of two months ahead of the Commission, e.g., the SC meeting in early spring (February/March) and the Commission meeting in late spring (April/May).

Consequent with the recommended schedule of meetings and due to the uncertainty caused by the COVID-19 pandemic, the FAC further **recommends** that Council 28 and related meetings be postponed to late Spring 2021 and the annual meeting of the Scientific Committee to early spring 2021.

3.3 PROCEDURE FOR REVIEWING THE CONTENT OF THE WEBSITE

The FAC **agrees** with the proposed way forward described by the CHM, CIO and BYCELS for reviewing the content of the NAMMCO website. With respect to the SC, the FAC **recommends** the following procedure, which has been slightly modified from the procedure recommended by the SC.

- The proposal agreed at SC/26 and which will be implemented for SC/27 is that there be a 5-year cycle for reviewing each species, with the information on a certain number of species (e.g. 4-5) being reviewed each year during the annual SC meeting. The species selected for review in any given year will be determined by the Secretariat on the basis of the importance of the species for the NAMMCO members and the perceived need for updated information.
- The Secretariat will update the website with new information following all SC related meetings. However, update on stock assessments shall be published only after being reviewed by the SC. The text of the update will be prepared by the Secretariat and reviewed by the Chair of the SC and the related WG Chairs before being published online.
- SC members will send the Secretariat new publications (authored by its members or others), that are of relevance to NAMMCO and that can be used to update the website.

The FAC **recommends** to Council to adopt the procedures recommended by the FAC to update the website and quality-check its content.

3.4 NAMMCO ARCHIVING SYSTEM

After hearing about different solutions investigated by the Secretariat, FAC agreed to go ahead with the use of SharePoint as an archiving system as recommended by the Secretariat IT support (with no additional set up cost or annual fee as it is included in the Microsoft 365 window package). This platform is an increasingly used Microsoft product, which offers some guarantee that it continues being used and developed.

4. FINANCIAL ISSUES

4.1 AUDITED ACCOUNTS 2019

The FAC reviewed the audited accounts for 2019 (NAMMCO/28/05). The 2019 audited accounts closed with a surplus of NOK 7 798, instead of the deficit of NOK 1 024 055 foreseen in the budget adopted by Council 27. This was largely due to the reporting of the cost of transferring to the DCS being moved into 2020. The anticipated general reserve had increased to NOK 1 181 312 compared to the budgeted NOK 149 459.

FAC **recommends** that Council approve the 2019 audited accounts.

4.2 COMMITTEES' WORK PLANS AND BUDGET IMPLICATIONS

In its review of the budget 2020 and 2021 budgets under agenda item 4.3, the FAC took into consideration the financial implications for the 2020 and 2021 budgets of the work plans (FAC/2020-01/03rev) proposed by the Committee on Inspection and Observation, the Committee on Hunting Methods [with an increased budget of NOK 238 500 for the planned EG/WS] and the Scientific Committee [with a new seal population modelling workshop in autumn 2020 and a second meeting of the Ad hoc Working Group on Narwhal in East Greenland in 2021].

4.3 FORECAST ACCOUNT 2020 AND DRAFT BUDGET 2021

4.3.1 Forecast Account 2020

The FAC agreed to the re-allocation of expenditure in the adopted 2020 budget due to the uncertainties regarding travel and meeting restrictions related to the COVID-19 pandemic, particularly taking into consideration that

- NAMMCO members had decided at the HoDs meeting on 13 March 2020 that observation activities be cancelled in 2020.
- The FAC recommends under item 3.2 that Council 28 and related meetings be postponed to late Spring 2021 and the annual meeting of the Scientific Committee to early spring 2021.
- Several meetings were cancelled and/or rescheduled.
- Adjustments had also been made to the itemization of expenditure under different budget lines in relation to the work prioritisation given to the Secretariat by FAC at its November 2019 meeting, including a reduction in travel to external events.
- The FAC agreed under item 3.4 to the proposal of the Secretariat of using SharePoint as the archiving tool; the NOK 177 000 allocated to an archiving software were no longer needed.

The present forecast account for 2020 gives an anticipated deficit of NOK 491 660 as compared to the deficit of NOK 181 523 adopted by Council 27 (in part because of the cost of the transition in the pension scheme being postponed to 2020), with a general reserve of NOK 679 652.

The FAC **noted** that further re-scheduling of events in the autumn 2020 was possible and may direct more liquidity to the 2021 budget.

4.3.2 Draft Budget 2021

The FAC **agreed** to allocate NOK 300 000 to the observation activities in 2021 (instead of the usual NOK 150 000) to strengthen the implementation of the observation scheme. This allocation would be pending the submission by the Committee on Inspection and Observation of a detailed plan on how this funding could best be used to this purpose and the subsequent approval of the Council.

The FAC **agreed** on a draft budget 2021, noting that, in line with previous years, a 2% increase in membership contributions had been used. The draft budget 2021 gives an anticipated deficit of NOK 373 630, with a general reserve of NOK 306 022.

The FAC **recommends** that Council approve the 2021 draft budget.

4.4 FINANCIAL RULES

At present, unlike other organisations, NAMMCO does not have one document collating established financial rules and practices. The FAC **agreed** that it would be beneficial to develop a document describing these rules and practices.

Taking into account financial rules of other organisations, the FAC **recommends** that Council task the Secretariat to draft a document defining NAMMCO financial rules and bring it to the consideration of the FAC, with the view to presenting it to Council.

4.5 FINANCING OF THE SUPER TAG PROJECT

Norway presented a proposal for how this project could be financed by the member countries. The proposal period was 2020 to 2023 with a total project cost of NOK 6 400 000. The proposal was based on extra funding (not taken from membership contributions) from member countries.

5. SECRETARIAT'S WORKLOAD AND PRIORITIES

Following a Council/27 recommendation, the FAC is engaged in a discussion with the Secretariat on workload and priorities. In order to reduce the workload of the Secretariat, the FAC **agreed** that for 2020 the focus should be on core tasks (including updating the website) more than on representation and outreach activities and that the attendance of the Secretariat at non-NAMMCO meetings should be kept to a minimum.

The FAC **noted** that it is the Council that generates the workload and **recommends** that the Council also be conscious of the implications of its proposed priorities. The focus should be on core issues for the organisation.

FAC **recommends** that Council task FAC to continue the discussion on the Secretariat staffing and priorities.

6. OUTLINE OF FAC RECOMMENDATIONS TO COUNCIL 28

FAC recommends that Council 28

- Adopt the proposed amendments to the RoPs regarding the deadline for submission of documents to NAMMCO meetings.
- Adopt a cycle where the annual meetings of both the Scientific Committee and the Commission be held in the first half of the year, with the SC meeting a minimum of two months ahead of the Council meeting.
- Approve that Council 28 and related meetings be postponed to late spring 2021 and the annual meeting of the Scientific Committee to early spring 2021.
- to adopt the procedures recommended by the FAC to update the website and quality-check its content.
- Approve the 2019 audited accounts.
- Approve the 2021 draft budget.
- Task the Secretariat to draft a document defining NAMMCO financial rules and bring it to the consideration of the FAC, with the view to presenting it to Council.
- Be conscious of the implications of its proposed priorities; the focus should be on core issues for the organisation.
- Task the FAC to continue the discussion on the Secretariat staffing and priorities.